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UNCLAS TEL AVIV 002040

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR X0XX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

All media led with the police's unanimous recommendation to Attorney General Menachem Mazuz yesterday, to indict PM Ehud Olmert in two corruption cases: the Rishon Tours double billing affair and the Talansky affair. The police are expected to reach a decision regarding a third case, the Investment Center affair, in the near

future. Ha'aretz and other media reported that yesterday Olmert played down the police recommendation. His lawyers and media adviser put out the message that the "police's recommendation is insignificant." Nonetheless, Olmert decided to cancel a planned trip to Moscow, and is expected to call off his scheduled appearance at the UN General Assembly in New York at the end of the month. The police also recommended indicting Shula Zaken, who was Olmert's right hand. The media reported that police have recommended that Attorney and former Olmert confidant Uri Messer, considered a key witness in the Talansky affair, also be indicted. The media recalled that in the past the police recommended indicting Benjamin Netanyahu and that the then attorney general closed his case. Similar processes were started against former PMs Ehud Barak and Ariel Sharon, but did not result in indictments.

The Jerusalem Post quoted top Israeli defense officials as saying that Iran is consolidating its grip on Hizbullah and that it has instituted a number of changes to the Lebanese group, under which Sheikh Hassan Nasrallah no longer enjoys exclusive commands of its military wing.

Yesterday leading media reported that on Saturday Transportation Minister issued a harsh attack on his main rival for the Kadima leadership, Tzipi Livni, accusing her of misusing funds for Holocaust survivors.

Yesterday Ha'aretz quoted Israeli security officials as saying that the PA's security forces have recently shown marked improvement in their campaigns against Hamas and Islamic Jihad. A particularly dramatic change has taken place over the past month in an area in which the PA had not been previously active -- dealing with the Islamic charity and civilian associations considered to constitute Hamas's civilian infrastructure.

The Jerusalem Post's web site reported that Palestinian Authority President Mahmoud Abbas pledged on Friday to try to reach a final status peace agreement with Israel by the end of the year -- but he admitted that the goal set by U.S. President George W. Bush might not be achieved.

Ha'aretz reported that yesterday one of Hamas's spokesmen officially denied reports that Hamas intends to stop Egyptian mediation between the organization and Israel regarding Gilad Shalit. Yesterday Makor Rishon-Hatzofe quoted the London-based Al-Quds Al-Arabi as saying that Hamas's security forces in Gaza arrested a man known as Abu Hafez, a high-ranking official with the extremist group, Army of the Nation, which is loyal to Al-Qaida. Hamas's Interior Ministry, however, issued no statement about the arrest.

Yesterday Ha'aretz quoted French officials as saying on Saturday that French President Nicolas Sarkozy is convinced that Syrian President Bashar Assad is serious about pursuing peace talks with Israel in the coming months. Yesterday The Jerusalem Post quoted a U.S. Government official as saying on Saturday that the U.S. is not sending an envoy to take part in the next round of indirect Israeli-Syrian talks in Turkey.

The media reported that yesterday the cabinet narrowly approved a controversial bill yesterday that would curtail judicial review of legislation while enabling the Knesset to reinstate laws that the High Court of Justice deemed unconstitutional. However, Ha'aretz reported that its future remains uncertain due to the current political situation. Media reported that yesterday, at a cabinet discussion of the bill, Olmert lashed out at his defense minister, Labor Party Chairman Ehud Barak, calling him a saboteur, a leaker, brazen and a serial breaker of agreements. Ha'aretz said that his outburst -- the culmination of weeks of accumulated grievances against Barak -- raises serious questions about how the two men can continue to work together to address crucial security concerns.

Media reported that a bill requiring a national referendum, general elections, or a two-thirds majority vote by Knesset members for approval of the concession of any Israeli land is ready for the next two rounds of Knesset voting, which will decide whether it turns into law. The Jerusalem Post quoted Olmert as saying that there is a need to begin discussions about evacuating some of the settlers from isolated areas of the West Bank. Yesterday The Jerusalem Post reported that on Saturday the Prime Minister's Office denied that

the cabinet debate was based on diplomatic considerations. Maariv quoted Finance Ministry officials as saying that the plan will cost the Israeli economy 15 billion shekels (about \$4.183 billion).

The Jerusalem Post quoted Tal Inbar, a senior researcher at the Fisher Institute for Air and Space Strategic Studies, as saying that a satellite launched by Iran yesterday has no military applications and cannot collect intelligence on IDF installations. The newspaper also quoted London's Sunday Times as saying that Russia may use nuclear aid to Iran as a method of responding to increased tension between Moscow and Washington over the conflict in Georgia. Yesterday leading media reported that Vice President Dick Cheney told President Shimon Peres on Saturday in Como, Italy, that Russia is selling arms to Syria and Iran with the clear knowledge that they are being channeled to Hizbullah and terror groups in Iraq. The Jerusalem Post's web site quoted Peres as saying on Friday in Como: "I do not support military action against Iran, but the world must become a united front and impose harsh economic sanctions on Iran."

The Jerusalem Post reported that Israel and the U.S. will hold their first joint High Technology Forum this week in Arlington, Va.

Ha'aretz reported that Amos Oz's autobiographical novel, "A Tale of Love and Darkness," has been translated into Arabic thanks to a contribution by the family of an Arab man killed in a terror attack in 2004. Two of his other books have been translated into Arabic, one of which, "My Michael," received favorable reviews in Egypt.

The Jerusalem Post wrote that the Israeli hi-tech stocks are feeling the pinch of the slow U.S. market.

Ha'aretz reported that Catherine Griffin, who serves on the U.S. Equal Employment Opportunity Commission, visited Israel last week.

----- 1. Mideast: -----

Summary: -----

Diplomatic correspondent Ben Caspit wrote on page one of the popular, pluralist Maariv: "[The Americans] want to promote [some kind of agreement with the Palestinians] with the Israeli government, but where is the Israeli government? There is no Israeli government."

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot: "The most impressive charge in the police's recommendation is bribery.... Olmert can be accused of miserly conduct and ingratitude, but bribery?"

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom: "When the police get [to the more severe clauses] -- if necessary -- the plea bargain agreement that will be signed with Olmert will not be able to circumvent a prison sentence."

Giora Eiland, the former head of Israel's National Security Council, wrote in the mass-circulation, pluralist Yediot Aharonot: "If an American president comes to power who is interested in promoting peace between Israel and Syria, if we have already agreed to make concessions to the Syrians on various issues, we will not be able to make these concessions conditional on American compensation."

Block Quotes: -----

1. "The Country Comes Last"

Diplomatic correspondent Ben Caspit wrote on page one of the popular, pluralist Maariv (9/8): "This coming Wednesday, U.S. [envoy] General Jones is supposed to come to Israel, in an attempt

to organize [a basic understanding] in advance of the end of George Bush's term, with regard to the negotiations between Israel and the Palestinians. The Americans very much want to make a dramatic statement at the UN General Assembly session towards the end of September, they are talking about a presidential address, a joint document, a declaration of one kind or another, various formats and ideas. They want to promote this with the Israeli government, but where is the Israeli government? There is no Israeli government. There is only Armageddon, investigations, leaks, reports, clashes, passions, envy, hatred and conflicting interests of candidates for the primary and just plain candidates. There is no law and no judge. A retired Supreme Court justice recommends on television that cabinet ministers receive psychological therapy, and a prime minister all but strangles his defense minister before his astounded ministers, and his defense minister, the same evening, at a gathering of the Labor Party (there is such a thing) in Haifa, reminds us: 'Don't forget, we're all brothers.' As if we had forgotten."

II. "CYA"

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot (9/8): "The problem with the police's recommendation is the very existence of the procedure that is nicknamed the 'police recommendation.' In the past, the police recommended that Benjamin Netanyahu and Ariel Sharon be prosecuted. The publication of the recommendations placed unfair pressure on the attorneys general: When they decided against the police's recommendation, they were accused of being lenient towards high-placed figures suspected of criminal acts. The police looked good publicly as fearless fighters against corruption. The attorney general looked bad, cowardly, and weak.... In practice, the police's recommendation is a kind of CYA. It gets them a lot of public relations -- with zero responsibility. When the state attorney, the attorney general and their assistants discuss whether to indict, they examine all the investigation material. The only paper that they can afford to skip is the paper known as the 'police recommendation.' The most impressive charge in the police's recommendation is bribery.... Olmert can be accused of miserly conduct and ingratitude, but bribery?"

III. "Habitual Offender"

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom (9/8): "About two years ago, I began to fear that Ehud Olmert was not just an ostentatious hedonist, but an offender -- then a habitual offender. Bribe-taking. Receiving funds fraudulently. Breach of trust. A suspicion that increased with every additional investigation, until becoming certainty, that Olmert's place was on the defendant's bench. The investigations have not yet ended. There will be an indictment in the Investments Center affair. Bank Leumi, the house on [Jerusalem's] Cremieux Street, and the political appointments are awaiting a decision. The great secret of his alleged offenses lies in the loans he took and failed to return. When the police get there -- if necessary -- the plea bargain agreement that will be signed with Olmert will not be able to circumvent a prison sentence."

IV. "What Are We Actually Talking About?"

Giora Eiland, the former head of Israel's National Security Council, wrote in the mass-circulation, pluralist Yediot Aharonot (9/8): "Every few weeks, the possibility of reaching a peace agreement with Syria returns to the headlines. Beyond the legitimate question of whether such a peace agreement is good or bad, it is difficult not to be troubled by the way we are conducting matters. The three troubling issues are: The order of actions on our side, the lack of real clarification on the security issue and the fact that we are ignoring the United States.... It is no secret that the current administration is not enthusiastic about conducting Israeli-Syrian negotiations. In the past, when the U.S. administration was enthusiastic (Clinton), Israel could demand compensation from the Americans for the 'painful concessions.' Today, this dimension is missing, but in two months there will be elections in the U.S. If an American president comes to power who is interested in promoting peace between Israel and Syria, if we have already agreed to make concessions to the Syrians on various issues, we will not be able to make these concessions conditional on American compensation. The

timing of accelerated talks now, if so, is very peculiar. The way the negotiations with Syria are being carried out is reminiscent of the beginning of the Oslo process, as well as the negotiations with the Americans on the issue of disengagement. There is a secret team that conducts negotiations, and only after it has reached a detailed agreement with the other side, is the document brought to the government for a decision. At this stage, it is no longer possible to hold a principled discussion, or to back down, because 'we have already promised.' This is a dangerous and undemocratic approach. One can only wonder why the ministers do not demand to discuss the questions of principle, which have been presented here only in part, before representatives are sent to negotiate. Even if they do not reach an agreement, things that official Israeli representatives say become binding commitments for the future."

CUNNINGHAM